THE SASKATCHEWAN RESEARCH COUNCIL
EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of net assets available for benefits of The Saskatchewan Research Council Employees' Pension Plan as at December 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 1999 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Regina, Saskatchewan
March 1, 2000

Wayne Strelioff, CA
Provincial Auditor

Statement 1

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As At December 31

	1999	1998
ASSETS		
Investments:		
Balanced Mutual Fund	$23,828,725	$22,113,489
Cash	40	17
	$23,828,765	$22,113,506
LIABILITIES		
Accounts payable	3,967	8,515
Net assets available for benefits (Statement 2)	$23,824,798	$22,104,991

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31

	1999	1998
Increase in assets:		
Increase in net asset value of investments and cash	$2,211,782	$1,614,661
Contributions - employer	478,827	461,263
Total increase in assets	2,690,609	2,075,924
Decrease in assets:		
Refund upon termination and retirement benefits - Defined Contribution Plan	106,064	2,074,351
Retirement benefits - Defined Benefit Plan	312,889	317,055
Contribution holiday - employer	478,827	461,263
Administration	73,022	50,576
Total decrease in assets	970,802	2,903,245
Increase (decrease) in net assets	1,719,807	(827,321)
Net assets available for benefits, beginning of year	22,104,991	22,932,312
Net assets available for benefits, end of year - to Statement 1	$23,824,798	$22,104,991

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement. The Plan is administered by the Saskatchewan Research Council (Council). The Pension Plan Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and advises the Council and Plan Members with respect to matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from the Council's senior management and two to four are appointed by the Council from the list of Plan Members.

(a) General

The Saskatchewan Research Council Employees' Pension Plan was established May 1, 1974 for the purpose of providing retirement income to the Council's employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

(b) Funding Policy

The employer contributes 4.875% of the Member's Earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 7.5% of the Member's Earnings above the YMPE, as defined under the Canada Pension Plan, on a monthly basis.

(c) Retirement

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a deferred life annuity contract.

(d) Termination Refunds

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by the Council.

1. Description of the Plan (continued)

(e) Defined Benefit Pensioners

Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. The last increase was effective April 1, 1999.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following principles are considered to be significant:

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

Investments

The investment is comprised of units in a balanced mutual fund managed by a professional investment manager. The balanced mutual fund has no fixed interest rate, and its returns are based on the performance of the fund.

Additional units are acquired when distributions are made by the funds. Cash dividends are not paid by the funds; however, investors can realize changes in the underlying unit values by redeeming units.

Units in the mutual funds are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the particular fund's portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year end is shown as an increase or decrease in net assets available for benefits.

3. Net Assets Available for Benefits and Pension Obligations

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. The strategy employed to achieve these objectives is to invest cash flows from contributions into assets such as pooled funds.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

Credit risk arises from the potential for an issuer to default on its contractual obligations to the Plan. The Plan limits credit risk by dealing with issuers that are considered to be high quality.

3. Net Assets Available for Benefits and Pension Obligations (continued)

The pension obligation is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling pension obligations. Therefore, determination of the fair value of the pension liability is not possible.

	1999	1998
Net assets available for benefits (Statement 1)	$23,824,798	$22,104,991
Less: Defined contribution balances	19,928,220	17,716,423
Defined benefit obligation	3,304,000	2,814,000
Surplus	$592,578	$1,574,568

The present value of the defined benefit obligation was determined using the projected benefit method prorated on service and the administrator's best estimate assumptions. KPMG Consulting LP (formerly KPMG Actuarial, Benefits & Compensation Inc.) performed an actuarial valuation as of January 1, 2000. For the January 1, 2000 valuation the UP94 mortality table, projected to 2014 (i.e. projection for 20 years), was used. In the prior year, the valuation was completed using the GAM83 mortality table. The change was made to the UP94 table because it has been updated for changes in the mortality rate. This resulted in the change in assumptions adjustment to the defined benefit liability, as detailed in the below table. The actuarial present value of accrued benefits as at January 1, 2000 and the principal component of changes in the actuarial present values during the year for pensioners who retired before 1991 are as follows:

	1999	1998
Beginning of year	$2,814,000	$2,883,000
Interest on accrued benefits	169,000	173,000
Benefits paid	(313,000)	(317,000)
Adjustment for miscellaneous gains/losses	(79,000)	55,000
Change in assumptions	137,000	-
Adjustments (Note 1 (e))	53,000	20,000
Pending special ad hoc increase	523,000	-
End of year	$3,304,000	$2,814,000

The liability for the pending special ad-hoc increases represents the additional liability with respect to Amendment No. 3. The additional pensions represented by this liability will commence, retroactive to April 1, 1999, once approval of the Amendment has been received from the Canada Customs and Revenue Agency (CCRA). The Council has already received approval from the Saskatchewan Superintendent of Pensions and expects that the CCRA will approve the Amendment.

3. Net Assets Available for Benefits and Pension Obligations (continued)

Investment earnings in excess of 6% will be applied to provide increases to all defined benefit pensioners in receipt of benefits, which are paid from the pension fund. Therefore, the significant long-term assumption used in determining the actuarial value of accrued pension benefits was:

Interest rate 6%

Upon termination of the Plan, any balance of the Pension Fund remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

4. Employer Contribution Holiday

Revenue Canada in its monitoring of the Income Tax Act allows a maximum surplus of two times employer's annual contribution. SRC, on the advice of its actuary, and in consultation with the Saskatchewan Superintendent of Pensions took an employer contribution holiday from May, 1997 to December 31, 1999. This had the effect of transferring money in a surplus account for the defined benefit plan over to the defined contribution portion of the plan. The contribution holiday was ceased effective December 31, 1999, in accordance with the application to the Saskatchewan Superintendent of Pensions.

5. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the PAC. The PAC reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 5 year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

6. Related Party Transactions

The Saskatchewan Research Council provides general administrative services without charge.

7. Administration

The administration costs shown on Statement 2 are paid out of the surplus as provided for in the Plan text:

	1999	1998
Canada Trust	$36,185	$42,017
Other Payees	36,837	8,559
Total Administrative Expenses	$73,022	$50,576

8. Year 2000 (Y2K)

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to third parties, have been fully resolved.